

**CLAY COUNTY**  
INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS  
JUNE 30, 2006

# CLAY COUNTY

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CLAY COUNTY

OFFICIALS

| <u>NAME</u>         | <u>TITLE</u>         | <u>TERM EXPIRES</u> |
|---------------------|----------------------|---------------------|
| Delmar R. Brockshus | Board of Supervisors | January 2009        |
| Sylvia D. Schoer    | Board of Supervisors | January 2009        |
| Joel Sorensen       | Board of Supervisors | January 2007        |
| William D. Zinn     | Board of Supervisors | January 2007        |
| Ken Chalstrom       | Board of Supervisors | January 2007        |
| Marjorie A. Pitts   | County Auditor       | January 2009        |
| Lavon C. Montgomery | County Treasurer     | January 2007        |
| Shirley Goyette     | County Recorder      | January 2007        |
| Randy Krukow        | County Sheriff       | January 2009        |
| Michael Houchins    | County Attorney      | January 2007        |
| John Lawson         | County Assessor      | January 2010        |

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*Certified Public Accountants*

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INDEPENDENT AUDITORS' REPORT

To the Officials of Clay County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clay County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Clay County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clay County at June 30, 2006 and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2007 on our consideration of Clay County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 35 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Clay County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Wintner, Starn & Co., LLP*

March 6, 2007

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Clay County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the County's financial statements which follow and hope that this section will assist you in understanding the events that significantly affected the financial position of Clay County as a whole.

### 2006 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 8.3%, or \$1,071,998 from fiscal 2005 to fiscal 2006. Property tax increased \$470,545, charges for service increased \$117,000, operating grants, contributions and restricted interest decreased \$1,396, and capital grants, contributions and restricted interest decreased \$2,077,053.
- Program expenses were 1.8% greater in fiscal 2006 than in fiscal 2005. Physical health, Mental health, County environment, Roads and transportation, and Non-program decreased while expenses in areas of Public safety, Governmental services, Administration, and Interest on long-term debt increased creating a net increase of \$180,175.
- The County's net assets increased \$1,824,478 from June 30, 2005 to June 30, 2006. This is largely due to capital grants in the area of Roads and Transportation.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Clay County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Clay County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Clay County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

## REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

### Fund Financial Statements

The County has two kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: (a) the General Fund, (b) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, (c) the Debt Service Fund, and (d) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for schools, emergency management services and the County Assessor, to name a few.

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Clay County's combined net assets for FY2006 totaled \$14,951,069 compared to \$13,126,591 for FY2005. The analysis that follows focuses on the changes in the net assets for governmental activities.

### Net Assets of Governmental Activities

|  | June 30,            |                     |
|--|---------------------|---------------------|
|  | 2006                | 2005                |
| Current and other assets .....                         | \$12,874,050        | \$11,396,135        |
| Capital assets .....                                   | <u>10,910,464</u>   | <u>7,832,146</u>    |
| Total assets   | <u>23,784,514</u>   | <u>19,228,281</u>   |
| Long-term debt outstanding .....                       | 2,010,796           | 560,569             |
| Other liabilities .....                                | <u>6,822,649</u>    | <u>5,541,121</u>    |
| Total liabilities                                      | <u>8,833,445</u>    | <u>6,101,690</u>    |
| Net assets:  |                     |                     |
| Invested in capital assets - net of related debt ..... | 8,992,668           | 7,396,850           |
| Restricted for:  |                     |                     |
| Supplemental levy .....                                | 154,275             | 125,350             |
| Mental Health purposes .....                           | 380,991             | 102,412             |
| Secondary road purposes .....                          | 1,832,748           | 2,971,252           |
| Debt service .....                                     | 263,018             | 134,652             |
| Other purposes .....                                   | 653,741             | 152,003             |
| Unrestricted .....                                     | <u>2,673,628</u>    | <u>2,244,072</u>    |
| Total net assets                                       | <u>\$14,951,069</u> | <u>\$13,126,591</u> |

The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment) less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased from \$2,244,072 at June 30, 2005 to \$2,673,628 at the end of this year.

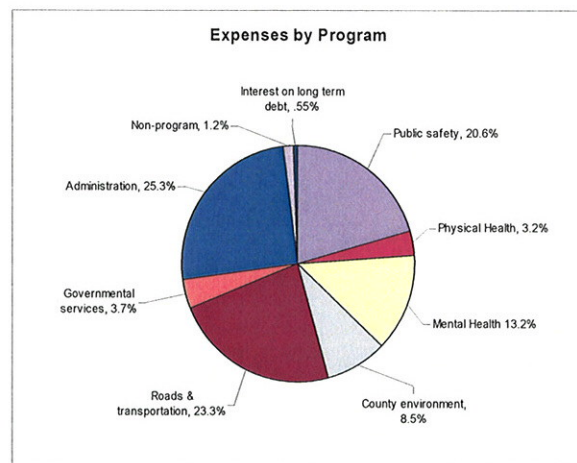
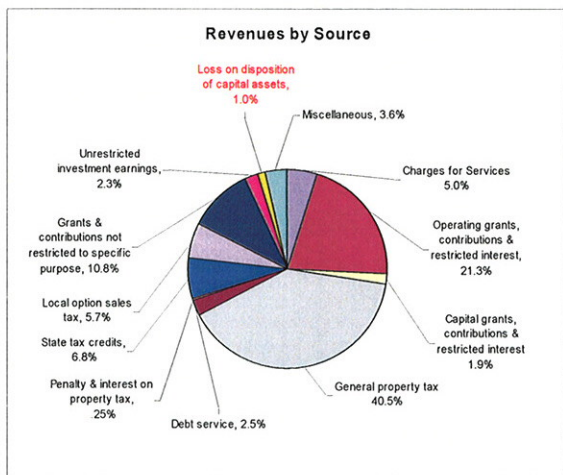
This increase of \$429,556 in unrestricted net assets was primarily a result of increases in local option sales tax funds, grants and contributions not restricted to specific purpose, and unrestricted investment earnings.



## Changes in Net Assets of Clay County Governmental Type Activities

|   | June 30,            |                     |
|---|---------------------|---------------------|
|   | <u>2006</u>         | <u>2005</u>         |
| Program revenues:   |                     |                     |
| Charges for service .....                                       | \$ 590,604          | \$ 473,604          |
| Operating grants, contributions, and restricted interest .....  | 2,512,210           | 2,513,606           |
| Capital grants, contributions, and restricted interest .....    | 226,014             | 2,303,067           |
| General revenues:   |                     |                     |
| Property tax:   |                     |                     |
| General purposes .....  | 4,782,710           | 4,448,352           |
| Debt service .....  | 297,084             | 160,897             |
| Penalty and interest on property tax .....                      | 30,478              | 27,013              |
| State tax credits .....   | 805,948             | 767,454             |
| Local option sales tax .....                                    | 676,906             | 673,887             |
| Grants and contributions not restricted to specific purpose ... | 1,280,377           | 946,849             |
| Unrestricted investment earnings .....                          | 282,812             | 129,021             |
| Gain (loss) on disposition of capital assets .....              | (128,895)           | 6,940               |
| Miscellaneous .....   | 431,092             | 408,648             |
| Total revenues and special item                                 | <u>11,787,340</u>   | <u>12,859,338</u>   |
| Program expenses:   |                     |                     |
| Public safety and legal service .....                           | 2,056,695           | 1,815,307           |
| Physical health and social services .....                       | 324,657             | 382,948             |
| Mental health .....   | 1,319,489           | 1,400,963           |
| County environment and education .....                          | 852,490             | 903,935             |
| Roads and transportation .....                                  | 2,322,019           | 3,486,738           |
| Governmental services to residents .....                        | 378,019             | 355,249             |
| Administration .....  | 2,527,545           | 1,252,381           |
| Non-program .....   | 126,824             | 158,366             |
| Interest on long-term debt .....                                | 55,124              | 26,800              |
| Total expenses  | <u>9,962,862</u>    | <u>9,782,687</u>    |
| Change in net assets  | 1,824,478           | 3,076,651           |
| Net assets - beginning of year .....                            | <u>13,126,591</u>   | <u>10,049,940</u>   |
| Net assets - end of year  | <u>\$14,951,069</u> | <u>\$13,126,591</u> |

(For illustrative purposes)



Clay County's net assets of governmental activities increased by \$1,824,478 during the year. Revenues for governmental activities decreased by \$1,071,998 over the prior year, with property tax revenue up from the prior year by \$470,545 or 10.2 percent.

The County decreased property tax rates for fiscal year 2006 by an average of one (1) percent due to increased assessed valuation. Based on continued growth in the total assessed valuation, property tax revenue is budgeted to increase by \$217,000 in fiscal year 2007 based on an anticipated tax rate decrease of \$.09 per \$1,000 of valuation in the next year.

The cost of all governmental activities this year was \$9,962,862 compared to \$9,782,687 last year. However, as shown in the Statement of Activities on page 13, the amount taxpayers ultimately financed for these activities was only \$6,634,034 because some of the cost was paid by those directly benefited from the programs (\$590,604) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,738,224). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2006 from \$5,290,277 to \$3,328,828 principally due to capital assets contributed by the Iowa Department of Transportation. The County paid for the remaining "public benefit" portion of governmental activities with \$8,458,512 in taxes (some of which could only be used for certain programs) and other revenues, such as interest and general entitlements.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Clay County completed the year, its governmental funds reported a combined fund balance of \$5,989,960, an increase of \$670,750 above last year's total of \$5,319,210. The increase in fund balance is primarily attributable to Capital project funds for the Courthouse Restoration. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures both increased compared to the prior year. The ending fund balance showed an increase of \$422,795 from the prior year to \$1,170,062
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$1,319,489, a decrease of 5.8% from the prior year. The Mental Health Fund balance at year end increased by \$278,688 over the prior year.
- Secondary Roads Fund expenditures increased by \$1,321,810 over the prior year. A deficiency of revenues of over \$1.9 million resulted in a decreasing the funds cash reserve by \$668,857 from the prior year to \$1,883,748.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Clay County amended its budget two (2) times. The first amendment was made in February 28, 2006 and resulted in an increase in budgeted disbursements of \$834,059 related to public safety to cover the purchase of an ambulance and Court depositions; Physical Health & Social Services to cover the purchase of the Sanitarian vehicle and rent payments for children & family services; County Environment & Education to cover the completion of Conservation projects at Oneota & Scharnberg Parks, REAP payroll taxes for the Naturalist and half of the Sanitarian vehicle; Governmental Services to Residents to cover HAVA Polling Place grant pass through and the Records Records Management payment to the State Treasurer for E-Commerce fees; Administration service area to cover building and grounds payroll overtime, Sheriff building roof repairs and Governmental Services Center custodial services; Nonprogram expenditures to cover the Regional Event Center loan payoff passed through the County financials, the early payoff of the Sheriff building loan, the continued projects of the Courthouse restoration, Oneota Cabin and Scharnberg Park. This amendment also reflected the increase in revenues totaling \$601,066 and a \$500,000 increase in debt proceeds so that the net budget amendment resulted in a net gain of ending fund balance equal to \$267,007.

The second amendment was made on May 23, 2006. This amendment increased the budgeted disbursements by \$226,559 to cover unpaid shelter care claim needs; to cover mental health provider contracted rate changes, ARO funding, prescription funding, hospitalization cost increases, new HCBS clients, and additional SCL consumers; to cover Conservation maintenance and operation, and economic development funding; to cover additional precinct election official wages; to cover County building repairs and utilities; to cover the Governmental Services Center short-term debt retirement interest and flow through of non-public funds to purchase the Emergency Medical Services trailer. This amendment also reflected an increase in revenues equaling \$305,800 resulting in a net gain of ending fund balances of \$79,241.

Even with these amendments, the County exceeded the budgeted amounts in the Nonprogram and Debt Service functions by \$312,896 for the year ended June 30, 2006.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2006, Clay County had \$10,910,464 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$3,078,318 or 39 percent over last year.

#### Capital Assets of Governmental Activities at Year End

|                                  | June 30,            |                     |
|----------------------------------|---------------------|---------------------|
|                                  | <u>2006</u>         | <u>2005</u>         |
| Land .....                       | \$ 65,215           | \$ 65,215           |
| Construction in progress .....   | 2,300,059           | 770,735             |
| Buildings and improvements ..... | 2,173,686           | 2,178,197           |
| Equipment and vehicles .....     | 2,137,109           | 1,828,905           |
| Infrastructure .....             | <u>4,234,395</u>    | <u>2,989,094</u>    |
| Total                            | <u>\$10,910,464</u> | <u>\$ 7,832,146</u> |

The County had depreciation expense of \$493,545 in FY06 and a total accumulated depreciation of \$5,203,781 as of June 30, 2006.

The County's amended fiscal year 2006 capital budget included \$523,246 for capital projects, principally for Courthouse restoration and the Oneota Cabin addition and the Scharnberg Park construction. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### Long-Term Debt

At June 30, 2006, Clay County had approximately \$2,010,796 in general obligation bonds and other debt outstanding compared to \$560,569 at June 30, 2005, as shown below.

| Outstanding Debt of Governmental Activities at Year End |                     |                   |
|---|---------------------|-------------------|
|   | June 30,            |                   |
|   | <u>2006</u>         | <u>2005</u>       |
| General obligation notes .....                          | \$ 1,917,796        | \$ 435,296        |
| Rural Community 2000 Program loan .....                 | 0                   | 16,273            |
| Compensated absences .....                              | <u>93,000</u>       | <u>109,000</u>    |
| Total   | <u>\$ 2,010,796</u> | <u>\$ 560,569</u> |

Debt increased as a result of notes issued exceeding notes retired.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Clay County's outstanding general obligation debt is significantly below its constitutional debt limit of \$35 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Clay County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the economy. Unemployment in Clay County on June 30<sup>th</sup>, 2006 stood at 3.3 percent versus 4.3 percent a year ago. This compares with the State's unemployment rate of 3.6 percent and the national rate of 4.6 percent as stated from the Iowa Workforce Department's local office.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The Midwest region of State's CPI averaged 2.4 percent for 2006 compared with the national rate of 3.2 percent. The county's population growth has declined 2.7 percent from 2000 to 2005 in comparison to an increase of 1.4 percent in the State of Iowa for the same period.

These indicators were taken into account when preparing the budget for fiscal year 2007. Amounts available for appropriation in the 2007 operating budget are \$12.5 million, a decrease of 10.3 percent from the final 2006 budget. Decreased State funding in several of our current programs is expected to cause the decrease. Budgeted disbursements are expected to decrease by approximately \$1.4 million. A reduction in capital projects related to the restoration of the Clay County Courthouse represents the largest decrease.

If these estimates are realized, the County's budgetary cash operating balance is expected to decrease by \$552,954 by the close of 2007.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Clay County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Clay County Auditor's Office, 300 W. 4th St., Spencer, Iowa. The County's financial statements can also be found on our website [www.co.clay.ia.us](http://www.co.clay.ia.us).

### Reporting Resources:

Consumer Price Index Summary

<http://www.bls.gov/news.release/cpi.nr0.htm>

Local Area Unemployment Statistics

<http://data.bls.gov/PDQ/servlet/SurveyOutputServlet>

Iowa Workforce Information Network

<http://iwin.iwd.state.ia.us/iowa/OlmisZine?zineid=00000011>

CLAY COUNTY  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

| ASSETS   | Governmental<br>Activities |
|--|----------------------------|
| Cash and pooled investments .....                      | \$ 5,948,941               |
| Receivables:   |                            |
| Property tax:  |                            |
| Delinquent .....                                       | 61,565                     |
| Succeeding year .....                                  | 5,329,000                  |
| Accounts .....   | 75,357                     |
| Accrued interest .....                                 | 27,169                     |
| Due from other governments .....                       | 870,424                    |
| Inventories .....                                      | 541,628                    |
| Prepaid insurance .....                                | 19,966                     |
| Capital assets - net of accumulated depreciation ..... | <u>10,910,464</u>          |
| <br>TOTAL ASSETS                                       | <br><u>23,784,514</u>      |
| <br>LIABILITIES  |                            |
| Accounts payable .....                                 | 1,428,796                  |
| Salaries and benefits payable .....                    | 53,500                     |
| Due to other governments .....                         | 11,353                     |
| Deferred revenue:                                      |                            |
| Succeeding year property tax .....                     | 5,329,000                  |
| Long-term liabilities:                                 |                            |
| Portion due or payable within one year:                |                            |
| General obligation notes .....                         | 301,376                    |
| Compensated absences .....                             | 93,000                     |
| Portion due or payable after one year:                 |                            |
| General obligation notes .....                         | <u>1,616,420</u>           |
| <br>TOTAL LIABILITIES                                  | <br><u>8,833,445</u>       |
| <br>NET ASSETS   |                            |
| Invested in capital assets - net of related debt ..... | 8,992,668                  |
| Restricted for:  |                            |
| Supplemental levy purposes .....                       | 154,275                    |
| Mental health purposes .....                           | 380,991                    |
| Secondary roads purposes .....                         | 1,832,748                  |
| Debt service .....                                     | 263,018                    |
| Other purposes .....                                   | 653,741                    |
| Unrestricted .....                                     | <u>2,673,628</u>           |
| <br>TOTAL NET ASSETS                                   | <br><u>\$14,951,069</u>    |

CLAY COUNTY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

|   |                    | Program Revenues       |  |  | Net (Expense)<br>Revenue<br>and<br>Changes<br>in Net Assets |
|---|--------------------|------------------------|--|--|---|
|   |                    | Charges for<br>Service | Operating<br>Grants,<br>Contributions<br>and<br>Restricted<br>Interest | Capital<br>Grants,<br>Contributions<br>and<br>Restricted<br>Interest |   |
|   |                    | Expenses               |  |  |   |
| FUNCTIONS/PROGRAMS:   |                    |                        |  |  |   |
| Governmental activities:  |                    |                        |  |  |   |
| Public safety and legal services .....                            | \$2,056,695        |                        |  |  | \$ (2,056,695)  |
| Physical health and social services .....                         | 324,657            |                        |  |  | (324,657)   |
| Mental health .....   | 1,319,489          |                        |  |  | (1,319,489)   |
| County environment and education .....                            | 852,490            | \$ 64,787              |  |  | (787,703)   |
| Roads and transportation .....                                    | 2,322,019          | 32,598                 | \$2,512,210  | \$226,014  | 448,803   |
| Governmental services to residents .....                          | 378,019            |                        |  |  | (378,019)   |
| Administration .....  | 2,527,545          | 493,219                |  |  | (2,034,326)   |
| Non-program .....   | 126,824            |                        |  |  | (126,824)   |
| Interest on long-term debt .....                                  | <u>55,124</u>      |                        |  |  | <u>(55,124)</u>   |
| TOTAL   | <u>\$9,962,862</u> | <u>\$590,604</u>       | <u>\$2,512,210</u>   | <u>\$226,014</u>   | <u>(6,634,034)</u>  |
| GENERAL REVENUES:   |                    |                        |  |  |   |
| Property and other county tax levied for:                         |                    |                        |  |  |   |
| General purposes .....  |                    |                        |  |  | 4,782,710   |
| Debt service .....  |                    |                        |  |  | 297,084   |
| Penalty and interest on property tax .....                        |                    |                        |  |  | 30,478  |
| State tax credits .....   |                    |                        |  |  | 805,948   |
| Local option sales tax .....                                      |                    |                        |  |  | 676,906   |
| Grants and contributions not restricted to specific purpose ..... |                    |                        |  |  | 1,280,377   |
| Unrestricted investment earnings .....                            |                    |                        |  |  | 282,812   |
| Gain (loss) on disposition of capital assets .....                |                    |                        |  |  | (128,895)   |
| Miscellaneous .....   |                    |                        |  |  | <u>431,092</u>  |
| TOTAL GENERAL REVENUES  |                    |                        |  |  | <u>8,458,512</u>  |
| Change in net assets .....  |                    |                        |  |  | 1,824,478   |
| Net assets - beginning of year - .....                            |                    |                        |  |  | <u>13,126,591</u>   |
| NET ASSETS - END OF YEAR  |                    |                        |  |  | <u>\$14,951,069</u>   |

CLAY COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

ASSETS

|                                   |                           | Special Revenue         |                           |                           |                           |
|-----------------------------------|---------------------------|-------------------------|---------------------------|---------------------------|---------------------------|
|                                   | General                   | Mental Health           | Rural Services            | Local Option Sales Tax    | Secondary Roads           |
| Cash and pooled investments ..... | \$1,065,422               | \$505,436               | \$ 81,462                 | \$1,442,724               | \$1,847,474               |
| Receivables:                      |                           |                         |                           |                           |                           |
| Property tax:                     |                           |                         |                           |                           |                           |
| Delinquent .....                  | 59,776                    | 720                     | 480                       |                           |                           |
| Succeeding year .....             | 3,293,000                 | 374,000                 | 1,350,000                 |                           |                           |
| Accounts .....                    | 53,029                    | 12,434                  |                           |                           | 6,758                     |
| Accrued interest .....            | 25,791                    |                         |                           |                           |                           |
| Due from other governments .....  | 65,257                    | 1,207                   |                           | 115,486                   | 684,819                   |
| Inventories .....                 |                           |                         |                           |                           | 541,628                   |
| Prepaid insurance .....           | 7,986                     |                         |                           |                           | 11,980                    |
| <b>TOTAL ASSETS</b>               | <b><u>\$4,570,261</u></b> | <b><u>\$893,797</u></b> | <b><u>\$1,431,942</u></b> | <b><u>\$1,558,210</u></b> | <b><u>\$3,092,659</u></b> |

LIABILITIES AND FUND BALANCES

|  |                           |                         |                           |                           |                           |
|--|---------------------------|-------------------------|---------------------------|---------------------------|---------------------------|
| <b>LIABILITIES:</b>                        |                           |                         |                           |                           |                           |
| Accounts payable .....                     | \$ 36,523                 | \$138,776               | \$ 4,868                  |                           | \$1,155,411               |
| Salaries and benefits payable .....        |                           |                         |                           |                           | 53,500                    |
| Due to other governments .....             | 10,990                    | 30                      |                           |                           |                           |
| Deferred revenue:                          |                           |                         |                           |                           |                           |
| Succeeding year property tax .....         | 3,293,000                 | 374,000                 | 1,350,000                 |                           |                           |
| Other .....                                | 59,686                    | 715                     | 456                       |                           |                           |
| <b>TOTAL LIABILITIES</b>                   | <b><u>3,400,199</u></b>   | <b><u>513,521</u></b>   | <b><u>1,355,324</u></b>   |                           | <b><u>1,208,911</u></b>   |
| <b>FUND BALANCES:</b>                      |                           |                         |                           |                           |                           |
| Reserved for:                              |                           |                         |                           |                           |                           |
| Supplemental levy purposes .....           | 154,275                   |                         |                           |                           |                           |
| Debt service .....                         |                           |                         |                           |                           |                           |
| LOSST Bonds .....                          |                           |                         |                           |                           |                           |
| Drainage warrants .....                    |                           |                         |                           |                           |                           |
| Unreserved, reported in:                   |                           |                         |                           |                           |                           |
| General fund .....                         | 1,015,787                 |                         |                           |                           |                           |
| Special revenue funds:                     |                           |                         |                           |                           |                           |
| Undesignated .....                         |                           | 380,276                 | 76,618                    | \$1,558,210               | 1,883,748                 |
| Capital projects fund .....                |                           |                         |                           |                           |                           |
| <b>TOTAL FUND BALANCES</b>                 | <b><u>1,170,062</u></b>   | <b><u>380,276</u></b>   | <b><u>76,618</u></b>      | <b><u>1,558,210</u></b>   | <b><u>1,883,748</u></b>   |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b><u>\$4,570,261</u></b> | <b><u>\$893,797</u></b> | <b><u>\$1,431,942</u></b> | <b><u>\$1,558,210</u></b> | <b><u>\$3,092,659</u></b> |



|                                   |              |
|-----------------------------------|--------------|
| Nonmajor<br>Governmental<br>Funds | Total        |
| \$1,006,423                       | \$ 5,948,941 |

|         |               |
|---------|---------------|
| 589     | 61,565        |
| 312,000 | 5,329,000     |
| 3,136   | 75,357        |
| 1,378   | 27,169        |
| 3,655   | 870,424       |
|         | 541,628       |
|         | <u>19,966</u> |

|                    |                     |
|--------------------|---------------------|
| <u>\$1,327,181</u> | <u>\$12,874,050</u> |
|--------------------|---------------------|

|                |                  |
|----------------|------------------|
| \$ 93,218      | \$ 1,428,796     |
|                | 53,500           |
| 333            | 11,353           |
| 312,000        | 5,329,000        |
| <u>584</u>     | <u>61,441</u>    |
| <u>406,135</u> | <u>6,884,090</u> |

|         |         |
|---------|---------|
|         | 154,275 |
| 263,018 | 263,018 |
| 63,496  | 63,496  |
| 87,860  | 87,860  |

1,015,787

|                |                  |
|----------------|------------------|
| 107,691        | 4,006,543        |
| <u>398,981</u> | <u>398,981</u>   |
| <u>921,046</u> | <u>5,989,960</u> |

|                    |                     |
|--------------------|---------------------|
| <u>\$1,327,181</u> | <u>\$12,874,050</u> |
|--------------------|---------------------|

CLAY COUNTY  
RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006

|  |                     |
|--|---------------------|
| Total governmental fund balances (page 15) .....   | \$ 5,989,960        |
| <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>  |                     |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$16,114,245 and the accumulated depreciation is \$5,203,781 ..... | 10,910,464          |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. ....  | 61,441              |
| Long-term liabilities, including notes payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. ....   | <u>(2,010,796)</u>  |
| NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 12)  | <u>\$14,951,069</u> |

CLAY COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006

|  |                    | Special Revenue   |                  |                        |                    |
|--|--------------------|-------------------|------------------|------------------------|--------------------|
|  | General            | Mental Health     | Rural Services   | Local Option Sales Tax | Secondary Roads    |
| REVENUES:  |                    |                   |                  |                        |                    |
| Property and other County tax .....                          | \$3,133,403        | \$ 383,356        | \$1,266,667      | \$ 676,906             |                    |
| Interest and penalty on property tax .....                   | 30,478             |                   |                  |                        |                    |
| Intergovernmental .....                                      | 574,740            | 1,070,897         | 201,998          |                        | \$3,304,726        |
| Licenses and permits .....                                   | 4,432              |                   |                  |                        | 5,905              |
| Charges for service .....                                    | 401,856            |                   | 3,050            |                        | 243                |
| Use of money and property .....                              | 273,876            |                   |                  |                        | 32,355             |
| Fines, forfeitures and defaults .....                        | 23,763             |                   |                  |                        |                    |
| Miscellaneous .....  | 19,370             | 143,924           | 613              |                        | 70,670             |
| TOTAL REVENUES   | <u>4,461,918</u>   | <u>1,598,177</u>  | <u>1,472,328</u> | <u>676,906</u>         | <u>3,413,899</u>   |
| EXPENDITURES:  |                    |                   |                  |                        |                    |
| Operating:   |                    |                   |                  |                        |                    |
| Public safety and legal services .....                       | 1,552,798          |                   | 341,968          | 151,820                |                    |
| Physical health and social services .....                    | 324,657            |                   |                  |                        |                    |
| Mental health .....  |                    | 1,319,489         |                  |                        |                    |
| County environment and education .....                       | 478,355            |                   | 230,656          | 67,596                 |                    |
| Roads and transportation .....                               |                    |                   |                  |                        | 3,571,958          |
| Governmental services to residents .....                     | 351,473            |                   |                  |                        |                    |
| Administration .....   | 1,206,203          |                   |                  |                        |                    |
| Non-program .....  | 16,761             |                   |                  |                        |                    |
| Debt service .....   |                    |                   |                  | 72,723                 |                    |
| Capital projects .....                                       |                    |                   |                  |                        | 1,772,227          |
| TOTAL EXPENDITURES   | <u>3,930,247</u>   | <u>1,319,489</u>  | <u>572,624</u>   | <u>292,139</u>         | <u>5,344,185</u>   |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER (UNDER) EXPENDITURES | <u>531,671</u>     | <u>278,688</u>    | <u>899,704</u>   | <u>384,767</u>         | <u>(1,930,286)</u> |
| OTHER FINANCING SOURCES (USES):                              |                    |                   |                  |                        |                    |
| Operating transfers in (out) .....                           | (108,876)          |                   | (868,940)        | (408,613)              | 1,261,429          |
| General obligation note issued .....                         |                    |                   |                  |                        |                    |
| TOTAL OTHER FINANCING SOURCES (USES)                         | <u>(108,876)</u>   |                   | <u>(868,940)</u> | <u>(408,613)</u>       | <u>1,261,429</u>   |
| NET CHANGE IN FUND BALANCES                                  | 422,795            | 278,688           | 30,764           | (23,846)               | (668,857)          |
| FUND BALANCES - BEGINNING OF YEAR .....                      | <u>747,267</u>     | <u>101,588</u>    | <u>45,854</u>    | <u>1,582,056</u>       | <u>2,552,605</u>   |
| FUND BALANCES - END OF YEAR                                  | <u>\$1,170,062</u> | <u>\$ 380,276</u> | <u>\$ 76,618</u> | <u>\$1,558,210</u>     | <u>\$1,883,748</u> |

| Nonmajor<br>Governmental<br>Funds | Total               |
|-----------------------------------|---------------------|
| \$ 297,084                        | \$ 5,757,416        |
|                                   | 30,478              |
| 145,835                           | 5,298,196           |
| 23                                | 10,360              |
| 58,847                            | 463,996             |
| 103,189                           | 409,420             |
|                                   | 23,763              |
| <u>493,103</u>                    | <u>727,680</u>      |
| <u>1,098,081</u>                  | <u>12,721,309</u>   |
| 17,308                            | 2,063,894           |
|                                   | 324,657             |
|                                   | 1,319,489           |
| 39,104                            | 815,711             |
|                                   | 3,571,958           |
| 19,189                            | 370,662             |
|                                   | 1,206,203           |
| 457,047                           | 473,808             |
| 299,901                           | 372,624             |
| <u>1,559,326</u>                  | <u>3,331,553</u>    |
| <u>2,391,875</u>                  | <u>13,850,559</u>   |
| <u>(1,293,794)</u>                | <u>(1,129,250)</u>  |
| 125,000                           |                     |
| <u>1,800,000</u>                  | <u>1,800,000</u>    |
| <u>1,925,000</u>                  | <u>1,800,000</u>    |
| 631,206                           | 670,750             |
| <u>289,840</u>                    | <u>5,319,210</u>    |
| <u>\$ 921,046</u>                 | <u>\$ 5,989,960</u> |

CLAY COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds (page 18) ..... \$ 670,750

*Amounts reported for governmental activities in the statement of activities  
are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year as follows:

|                                       |                  |           |
|---------------------------------------|------------------|-----------|
| Expenditures for capital assets ..... | \$3,700,758      |           |
| Depreciation expense .....            | <u>(493,545)</u> | 3,207,213 |

|  |  |           |
|--|--|-----------|
| In the Statement of Activities, the loss on disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. .... |  | (128,895) |
|--|--|-----------|

Because some revenues will not be collected for several months after the County's year-end, they are not considered available revenues and are deferred in the governmental funds, as follows:

|                     |                  |           |
|---------------------|------------------|-----------|
| Property tax .....  | (716)            |           |
| Grant revenue ..... | <u>(473,647)</u> | (474,363) |

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments as follows:

|              |                |             |
|--------------|----------------|-------------|
| Issued ..... | (1,800,000)    |             |
| Repaid ..... | <u>333,773</u> | (1,466,227) |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

|                            |  |               |
|----------------------------|--|---------------|
| Compensated absences ..... |  | <u>16,000</u> |
|----------------------------|--|---------------|

|   |  |                    |
|---|--|--------------------|
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 13) |  | <u>\$1,824,478</u> |
|---|--|--------------------|

CLAY COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2006

ASSETS

|                                  |                       |
|----------------------------------|-----------------------|
| Cash and pooled investments:     |                       |
| County Treasurer .....           | \$ 748,977            |
| Other County officials .....     | 70,317                |
| Property tax receivable:         |                       |
| Delinquent .....                 | 34,084                |
| Succeeding year .....            | 15,901,000            |
| Due from other governments ..... | 38,959                |
| Accrued interest .....           | <u>401</u>            |
| <br>TOTAL ASSETS                 | <br><u>16,793,738</u> |

LIABILITIES

|                                |                       |
|--------------------------------|-----------------------|
| Accounts payable .....         | 5,521                 |
| Due to other governments ..... | 16,728,340            |
| Trusts payable .....           | <u>59,877</u>         |
| <br>TOTAL LIABILITIES          | <br><u>16,793,738</u> |

|            |             |
|------------|-------------|
| NET ASSETS | <u>\$ 0</u> |
|------------|-------------|

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Clay County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**Reporting Entity**

For financial reporting purposes, Clay County has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Clay County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

**Blended Component Units**

The following component units are entities which are legally separate from the County but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Ninety-eight drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Clay County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Clay County Auditor's office.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Jointly Governed Organizations

The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoints representatives to the following boards and commissions: Clay County Assessor's Conference Board, Clay County Emergency Management Commission, Clay County Conservation Board, and Clay County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the County.

**Basis of Presentation**

Government-wide Financial Statements

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The statement of net assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.



CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The *General Fund* is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

*Special Revenue:*

The Mental Health Fund is used to account for property tax and other revenues designated to be used for mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for rural uses, any lawful purposes, and the Clay County Fair Association, Inc.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally, the County reports the following funds:

*Fiduciary Funds - Agency Funds* are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

**Measurement Focus and Basis of Accounting**

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Measurement Focus and Basis of Accounting - Continued**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

**Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments

The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investment in the Iowa Public Agency Investment Trust is valued at amortized cost. Non-negotiable certificates of deposits are stated at cost.

Property Tax Receivable

Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Assets, Liabilities and Fund Equity - Continued**

Property Tax Receivable - Continued

March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments, is based on January 1, 2004 assessed property valuations, is for the tax accrual period July 1, 2005 through June 30, 2006, and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

Interest and Penalty on Property Tax Receivable

Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable

Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than ten nor more than twenty annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. There were no drainage assessment receivables at June 30, 2006.

Due from Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories

Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government) are reported in the governmental activities column in the government-wide statement of net assets. Capital assets purchased or constructed are recorded at historical cost, if available, or at estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The County, as allowed by GAAP, has elected to only record infrastructure assets placed in service after July 1, 2002. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Assets, Liabilities and Fund Equity - Continued**

|                                   |          |
|-----------------------------------|----------|
| Infrastructure                    | \$50,000 |
| Land, buildings, and improvements | 25,000   |
| Equipment and vehicles            | 5,000    |

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset Class</u>    | <u>Estimated<br/>Useful lives<br/>(In Years)</u> |
|-----------------------|--|
| Buildings             | 40 - 50  |
| Building improvements | 20 - 50  |
| Infrastructure        | 10 - 65  |
| Equipment             | 2 - 20   |
| Vehicles              | 3 - 10   |

Due to Other Governments

Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable

Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences

County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Secondary Roads Funds.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Assets, Liabilities and Fund Equity - Continued**

County employees accumulate a limited amount of earned but unused sick leave. The employee does not receive any pay for unused sick leave upon termination of employment with the County. Since the amount of sick leave to be used is undeterminable, no liability has been accrued.

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. In the government fund financial statements, the face amount of debt issued is reported as other financing sources.

Fund Equity

In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the non-program and debt service functions, and disbursements in a certain department exceeded the amount appropriated.

**2. CASH AND POOLED INVESTMENTS**

The County's deposits in banks at June 30, 2006 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$1,281,547 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest Rate Risk - The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**2. CASH AND POOLED INVESTMENTS - Continued**

Credit Risk - The investment in IPAIT is unrated.

Concentration of Credit Risk - The County places a five percent limit on the amount that may be invested in the securities of a single issuer. The County places a ten percent limit on the amount that may be invested in prime bankers' acceptances and commercial paper or other short-term corporate debt.

**3. INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u>   | <u>Amount</u>      |
|--------------------|------------------------|--------------------|
| Special Revenue:   |                        |                    |
| Secondary Roads    | General                | \$ 108,876         |
|                    | Special Revenue:       |                    |
|                    | Rural Services         | 868,940            |
|                    | Local Option Sales Tax | 283,613            |
| Capital Projects   | Special Revenue:       |                    |
|                    | Local Option Sales Tax | <u>125,000</u>     |
| TOTAL              |                        | <u>\$1,386,429</u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**4. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2006 was as follows:

|  | Balance<br>Beginning<br>of year | Increases          | Decreases        | Balance<br>End<br>of Year |
|--|---------------------------------|--------------------|------------------|---------------------------|
| <b>Governmental activities:</b>              |                                 |                    |                  |                           |
| Capital assets not being depreciated:        |                                 |                    |                  |                           |
| Land .....                                   | \$ 65,215                       |                    |                  | \$ 65,215                 |
| Construction in progress .....               | <u>770,735</u>                  | <u>\$2,092,280</u> | <u>\$562,956</u> | <u>2,300,059</u>          |
| Total capital assets not being depreciated   | <u>835,950</u>                  | <u>2,092,280</u>   | <u>562,956</u>   | <u>2,365,274</u>          |
| Capital assets being depreciated:            |                                 |                    |                  |                           |
| Buildings .....                              | 3,420,528                       | 71,690             |                  | 3,492,218                 |
| Machinery and equipment .....                | 5,789,610                       | 766,474            | 697,779          | 5,858,305                 |
| Infrastructure, road network .....           | <u>3,065,178</u>                | <u>1,333,270</u>   |                  | <u>4,398,448</u>          |
| Total capital assets being depreciated       | <u>12,275,316</u>               | <u>2,171,434</u>   | <u>697,779</u>   | <u>13,748,971</u>         |
| Less accumulated depreciation for:           |                                 |                    |                  |                           |
| Buildings .....                              | 1,242,331                       | 76,201             |                  | 1,318,532                 |
| Machinery and equipment .....                | 3,960,705                       | 329,375            | 568,884          | 3,721,196                 |
| Infrastructure, road network .....           | <u>76,084</u>                   | <u>87,969</u>      |                  | <u>164,053</u>            |
| Total accumulated depreciation               | <u>5,279,120</u>                | <u>493,545</u>     | <u>568,884</u>   | <u>5,203,781</u>          |
| Total capital assets being depreciated - net | <u>6,996,196</u>                | <u>1,677,889</u>   | <u>128,895</u>   | <u>8,545,190</u>          |
| Governmental activities capital assets - net | <u>\$ 7,832,146</u>             | <u>\$3,770,169</u> | <u>\$691,851</u> | <u>\$10,910,464</u>       |

Depreciation expense was charged to the following functions:

|  |                  |
|--|------------------|
| <b>Governmental activities:</b>                      |                  |
| Public safety and legal services .....               | \$ 35,187        |
| County environment and education .....               | 26,243           |
| Roads and transportation .....                       | 322,869          |
| Governmental services to residents .....             | 7,357            |
| Administration .....                                 | <u>101,889</u>   |
| Total depreciation expense - governmental activities | <u>\$493,545</u> |

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**5. DUE TO OTHER GOVERNMENTS**

The County purchases services from other governmental units and also acts as a fee and tax collection agency for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due other governments is as follows:

| <u>Fund</u>                         | <u>Description</u> | <u>Amount</u>           |
|-------------------------------------|--------------------|-------------------------|
| General                             | Services           | \$ 10,990               |
| Special Revenue:                    |                    |                         |
| Mental Health                       | Services           | 30                      |
| County Recorder's Electronic Fee    | Services           | <u>333</u>              |
| <b>TOTAL FOR GOVERNMENTAL FUNDS</b> |                    | <b><u>\$ 11,353</u></b> |

|   |             |                            |
|---|-------------|----------------------------|
| Trust and agency:                       |             |                            |
| Agricultural extension education        | Collections | \$ 169,300                 |
| County assessor                         | Collections | 243,992                    |
| Special appraiser                       | Collections | 154,774                    |
| Schools                                 | Collections | 10,038,487                 |
| Area schools                            | Collections | 621,771                    |
| Corporations                            | Collections | 4,771,625                  |
| Townships                               | Collections | 158,585                    |
| Auto license and use tax                | Collections | 331,371                    |
| All others                              | Collections | <u>238,435</u>             |
| <b>TOTAL FOR TRUST AND AGENCY FUNDS</b> |             | <b><u>\$16,728,340</u></b> |

**6. CHANGES IN LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

|                                 | <u>General<br/>Obligation<br/>Notes</u> | <u>Compensated<br/>Absences</u> | <u>Rural<br/>Community<br/>2000<br/>Program<br/>Loan</u> | <u>Total</u>       |
|---------------------------------|---|---------------------------------|--|--------------------|
| Balance beginning of year ..... | \$ 435,296                              | \$109,000                       | \$ 16,273  | \$ 560,569         |
| Increases .....                 | 1,800,000                               |                                 |  | 1,800,000          |
| Decreases .....                 | <u>(317,500)</u>                        | <u>(16,000)</u>                 | <u>(16,273)</u>  | <u>(349,773)</u>   |
| Balance end of year             | <u>\$1,917,796</u>                      | <u>\$ 93,000</u>                | <u>\$ 0</u>  | <u>\$2,010,796</u> |
| Due within one year             | <u>\$ 301,376</u>                       | <u>\$ 93,000</u>                | <u>\$ 0</u>  | <u>\$ 394,376</u>  |



CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**6. CHANGES IN LONG-TERM LIABILITIES - Continued**

**Notes Payable**

A summary of the County's June 30, 2006 general obligation notes payable is as follows:

| <u>Year Ending</u><br><u>June 30,</u> | <u>Rates</u>  | <u>Principal</u>   | <u>Interest</u>  | <u>Total</u>       |
|---------------------------------------|---------------|--------------------|------------------|--------------------|
| 2007                                  | 3.00% - 4.74% | \$ 301,376         | \$ 67,520        | \$ 368,896         |
| 2008                                  | 3.00% - 4.74% | 262,021            | 57,385           | 319,406            |
| 2009                                  | 4.74%         | 224,399            | 48,323           | 272,722            |
| 2010                                  | 3.35% - 3.40% | 180,000            | 40,310           | 220,310            |
| 2011                                  | 3.40% - 3.45% | 180,000            | 34,215           | 214,215            |
| Thereafter                            | 3.50% - 3.80% | <u>770,000</u>     | <u>75,575</u>    | <u>845,575</u>     |
| Total                                 |               | <u>\$1,917,796</u> | <u>\$323,328</u> | <u>\$2,241,124</u> |

During the year ended June 30, 2006, the County issued \$1,800,000 in new general obligation notes and retired \$317,500 of notes.

**Rural Community 2000 Program Loan**

During the year ended June 30, 1991, the County was awarded a loan not to exceed \$200,091 to extend rural water service within Clay County, portions of southern Dickinson County, and portions of western Palo Alto County from the Iowa Department of Economic Development's Rural Community 2000 Program. The County subsequently received and loaned \$200,091 during the year to the Clay County Rural Water Association.

The Clay County Rural Water Association loan required 15 annual payments of \$16,761, including interest at three percent, beginning one year after the project completion date. The County was required to remit the proceeds of the loan repayments from the subrecipient to the Iowa Department of Economic Development. The total balance outstanding was paid in full as of June 30, 2006.

**Clay County Regional Events Center Conduit Debt Obligations**

During the year ended June 30, 2005, the County issued a total of \$2,000,000 in Local Option Sales and Services Tax Revenue Bonds for the purpose of constructing and furnishing the Clay County Regional Events Center at the Clay County Fairgrounds. Of the total advanced, \$1,415,000 was used to pay off a similar bond which had been issued in fiscal 2004. The bonds are not a general obligation of the County but are payable from and secured solely and only by a pledge of certain Local Option Tax revenues received by Clay County and the City of Spencer. The bonds will be repaid in annual installments ranging from \$55,000 to \$120,000, including interest at rates ranging from 1.13% to 4.39% beginning June 1, 2005 through June 1, 2029. Bonds totaling \$1,890,000 remained outstanding at June 30, 2006.

The bonds issued do not constitute general obligation debt or bonded indebtedness of the County. Neither is the full faith and credit or taxing power of the County pledged to make repayment; and therefore, they have been excluded entirely from the County's debt presentation. There has not been and is not any condition of default under the bonds or the related financing documents.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**6. CHANGES IN LONG-TERM LIABILITIES - Continued**

**St. Luke Homes and Services, Inc. Conduit Debt Obligation**

During September 2004, the County issued \$3,000,000 Health Care Facility Revenue Bonds, Series 2004 (St. Luke Homes and Services, Inc. Project) for the purpose of lending the proceeds to St. Luke Homes and Services, Inc. for facility improvement projects. The bonds are not a general obligation of the County but are payable solely from the revenues and other amounts derived from the facility.

The bonds issued do not constitute general obligation debt or bonded indebtedness of the County. Neither is the full faith and credit or taxing power of the County pledged to make repayment; and therefore, they have been excluded entirely from the County's debt presentation. There has not been and is not any condition of default under the bonds or the related financing documents.

**7. PENSION AND RETIREMENT BENEFITS**

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$214,206, \$202,054, and \$197,241, respectively, equal to the required contributions for each year.

The County also sponsors a Section 457 deferred compensation plan for the benefit of County employees. Employees may voluntarily participate in the plan. Contributions are made solely through employee salary deferrals with no County contributions to the plan.

**8. RISK MANAGEMENT**

The County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**8. RISK MANAGEMENT - Continued**

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's members contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2006 were \$116,683.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**8. RISK MANAGEMENT - Continued**

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries insurance from the Iowa Municipalities Workers' Compensation Association for coverage associated with workers' compensation and employee blanket bond in the amount of \$1,000,000 and \$20,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**9. CONSTRUCTION COMMITMENTS**

The County has entered into construction contracts totaling approximately \$2,817,000 for roadway paving and bridge replacement. As of June 30, 2006, approximately \$2,679,000 had been incurred against the contracts. The balance remaining at June 30, 2006 of approximately \$138,000 will be paid as work on the projects progresses.

The County has also entered into contracts totaling approximately \$2,026,000 for Courthouse restoration. As of June 30, 2006, costs of approximately \$1,358,000 on the project had been incurred. The \$668,000 balance remaining on the project at June 30, 2006 will be paid as work on the project progresses.

## REQUIRED SUPPLEMENTARY INFORMATION

CLAY COUNTY  
BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2006

|   | <u>Actual</u>       | <u>Less<br/>Funds not<br/>Required<br/>to be<br/>Budgeted</u> |
|---|---------------------|---|
| RECEIPTS:   |                     |   |
| Property and other County tax .....   | \$ 5,746,413        |   |
| Interest and penalty on property tax .....  | 30,447              |   |
| Intergovernmental .....   | 5,064,299           |   |
| Licenses and permits .....  | 10,360              |   |
| Charges for service .....   | 424,328             |   |
| Use of money and property .....   | 414,342             | \$ 22,946   |
| Miscellaneous .....   | <u>729,667</u>      |   |
| TOTAL RECEIPTS  | <u>12,419,856</u>   | <u>22,946</u>   |
| DISBURSEMENTS:  |                     |   |
| Public safety and legal services .....  | 2,068,528           |   |
| Physical health and social services .....   | 324,909             |   |
| Mental health .....   | 1,332,441           |   |
| County environment and education .....  | 817,943             |   |
| Roads and transportation .....  | 3,279,239           |   |
| Governmental services to residents .....  | 365,835             |   |
| Administration .....  | 1,207,737           |   |
| Non-program .....   | 417,361             | 69,889  |
| Debt service .....  | 497,688             |   |
| Capital projects .....  | <u>2,565,856</u>    |   |
| TOTAL DISBURSEMENTS   | <u>12,877,537</u>   | <u>69,889</u>   |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER)<br>DISBURSEMENTS   | (457,681)           | (46,943)  |
| OTHER FINANCING SOURCES - NET .....   | <u>1,800,000</u>    |   |
| EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER<br>FINANCING SOURCES OVER (UNDER) DISBURSEMENTS<br>AND OTHER FINANCING USES | 1,342,319           | (46,943)  |
| BALANCE - BEGINNING OF YEAR .....   | <u>4,606,615</u>    | <u>134,401</u>  |
| BALANCE - END OF YEAR   | <u>\$ 5,948,934</u> | <u>\$ 87,458</u>  |

| Net                 | Budgeted Amounts    |                     | Final to<br>Actual<br>Variance |
|---------------------|---------------------|---------------------|--------------------------------|
|                     | Original            | Final               |                                |
| \$ 5,746,413        | \$ 5,727,584        | \$ 5,730,963        | \$ 15,450                      |
| 30,447              | 34,100              | 34,100              | (3,653)                        |
| 5,064,299           | 4,550,020           | 5,245,170           | (180,871)                      |
| 10,360              | 5,510               | 40,710              | (30,350)                       |
| 424,328             | 366,175             | 370,409             | 53,919                         |
| 391,396             | 152,148             | 238,288             | 153,108                        |
| 729,667             | 138,980             | 221,743             | 507,924                        |
| <u>12,396,910</u>   | <u>10,974,517</u>   | <u>11,881,383</u>   | <u>515,527</u>                 |
| 2,068,528           | 2,108,231           | 2,213,731           | 145,203                        |
| 324,909             | 378,239             | 386,369             | 61,460                         |
| 1,332,441           | 1,345,563           | 1,503,622           | 171,181                        |
| 817,943             | 778,758             | 852,485             | 34,542                         |
| 3,279,239           | 3,787,420           | 3,787,420           | 508,181                        |
| 365,835             | 366,397             | 385,008             | 19,173                         |
| 1,207,737           | 1,236,640           | 1,291,715           | 83,978                         |
| 347,472             | 16,761              | 90,016              | (257,456)                      |
| 497,688             | 397,233             | 442,248             | (55,440)                       |
| 2,565,856           | 2,760,500           | 3,283,746           | 717,890                        |
| <u>12,807,648</u>   | <u>13,175,742</u>   | <u>14,236,360</u>   | <u>1,428,712</u>               |
| (410,738)           | (2,201,225)         | (2,354,977)         | 1,944,239                      |
| <u>1,800,000</u>    | <u>1,560,000</u>    | <u>2,060,000</u>    | <u>(260,000)</u>               |
| 1,389,262           | (641,225)           | (294,977)           | <u>\$1,684,239</u>             |
| <u>4,472,214</u>    | <u>3,785,911</u>    | <u>3,785,911</u>    |                                |
| <u>\$ 5,861,476</u> | <u>\$ 3,144,686</u> | <u>\$ 3,490,934</u> |                                |

CLAY COUNTY  
BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2006

|                               | <u>Governmental Fund Types</u> |                                |                                       |
|-------------------------------|--------------------------------|--------------------------------|---------------------------------------|
|                               | <u>Cash<br/>Basis</u>          | <u>Accrual<br/>Adjustments</u> | <u>Modified<br/>Accrual<br/>Basis</u> |
| Revenues .....                | \$12,419,856                   | \$301,453                      | \$12,721,309                          |
| Expenditures .....            | <u>12,877,537</u>              | <u>(973,022)</u>               | <u>13,850,559</u>                     |
| Net                           | (457,681)                      | (671,569)                      | (1,129,250)                           |
| Other financing sources ..... | 1,800,000                      |                                | 1,800,000                             |
| Beginning fund balances ..... | <u>4,606,615</u>               | <u>712,595</u>                 | <u>5,319,210</u>                      |
| ENDING FUND BALANCE           | <u>\$5,948,934</u>             | <u>\$ 41,026</u>               | <u>\$5,989,960</u>                    |



CLAY COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education services, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,060,618. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the non-program and debt service functions.

## OTHER SUPPLEMENTARY INFORMATION

CLAY COUNTY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006

ASSETS

|                                   | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>County<br/>Sheriff</u> | <u>LOSST<br/>Bond</u> | <u>Courthouse<br/>Restoration</u> |
|-----------------------------------|-------------------------|-----------------------------|---------------------------|-----------------------|-----------------------------------|
| Cash and pooled investments ..... | \$260,751               | \$492,141                   | \$15,514                  | \$63,203              | \$ 4,871                          |
| Receivables:                      |                         |                             |                           |                       |                                   |
| Property tax:                     |                         |                             |                           |                       |                                   |
| Delinquent .....                  | 589                     |                             |                           |                       |                                   |
| Succeeding year .....             | 312,000                 |                             |                           |                       |                                   |
| Accounts .....                    | 1,646                   |                             |                           |                       |                                   |
| Accrued interest .....            | 616                     |                             | 15                        | 293                   |                                   |
| Due from other governments .....  |                         |                             |                           |                       |                                   |
| TOTAL ASSETS                      | <u>\$575,602</u>        | <u>\$492,141</u>            | <u>\$15,529</u>           | <u>\$63,496</u>       | <u>\$ 4,871</u>                   |

LIABILITIES AND FUND BALANCES

|                                     |                  |                  |                 |                 |                 |
|-------------------------------------|------------------|------------------|-----------------|-----------------|-----------------|
| LIABILITIES:                        |                  |                  |                 |                 |                 |
| Accounts payable .....              |                  | \$ 93,160        |                 |                 |                 |
| Due to other governments .....      |                  |                  |                 |                 |                 |
| Deferred revenue:                   |                  |                  |                 |                 |                 |
| Succeeding year property tax .....  | \$312,000        |                  |                 |                 |                 |
| Other .....                         | 584              |                  |                 |                 |                 |
| TOTAL LIABILITIES                   | <u>312,584</u>   | <u>93,160</u>    |                 |                 |                 |
| FUND BALANCES:                      |                  |                  |                 |                 |                 |
| Fund balances:                      |                  |                  |                 |                 |                 |
| Reserved for debt service .....     | 263,018          |                  |                 |                 |                 |
| Reserved for payment of             |                  |                  |                 |                 |                 |
| LOSST Bonds .....                   |                  |                  |                 | \$63,496        |                 |
| Reserved for drainage warrants .... |                  |                  |                 |                 |                 |
| Unreserved .....                    |                  | 398,981          | \$15,529        |                 | \$ 4,871        |
| TOTAL FUND BALANCES                 | <u>263,018</u>   | <u>398,981</u>   | <u>15,529</u>   | <u>63,496</u>   | <u>4,871</u>    |
| TOTAL LIABILITIES AND               |                  |                  |                 |                 |                 |
| FUND BALANCES                       | <u>\$575,602</u> | <u>\$492,141</u> | <u>\$15,529</u> | <u>\$63,496</u> | <u>\$ 4,871</u> |

| Special Revenue                                    |   |   |                               |  |                    |
|--|---|---|-------------------------------|--|--------------------|
| <u>Resource<br/>Enhancement<br/>and Protection</u> | <u>County<br/>Recorder's<br/>Records<br/>Management</u> | <u>County<br/>Recorder's<br/>Electronic<br/>Fee</u> | <u>Drainage<br/>Districts</u> | <u>Conservation<br/>Land Acquisition<br/>Trust</u> | <u>Total</u>       |
| \$ 9,716   | \$ 21,628   |   | \$ 87,458                     | \$ 51,141  | \$1,006,423        |
|  |   |   |                               |  | 589                |
|  |   |   |                               |  | 312,000            |
|  | 1,078   | \$ 333  |                               | 79   | 3,136              |
| 14   | 38  |   | 402                           |  | 1,378              |
| <u>3,655</u>                                       |   |   |                               |  | <u>3,655</u>       |
| <u>\$ 13,385</u>                                   | <u>\$ 22,744</u>  | <u>\$ 333</u>                                       | <u>\$ 87,860</u>              | <u>\$ 51,220</u>                                   | <u>\$1,327,181</u> |
|  |   |   |                               |  |                    |
| \$ 58  |   | \$ 333  |                               |  | \$ 93,218          |
|  |   |   |                               |  | 333                |
|  |   |   |                               |  | 312,000            |
|  |   |   |                               |  | 584                |
| <u>58</u>  |   | <u>333</u>  |                               |  | <u>406,135</u>     |
|  |   |   |                               |  |                    |
|  |   |   |                               |  | 263,018            |
|  |   |   |                               |  | 63,496             |
|  |   |   | \$ 87,860                     |  | 87,860             |
| <u>13,327</u>                                      | <u>\$ 22,744</u>  |   |                               | <u>\$ 51,220</u>                                   | <u>506,672</u>     |
| <u>13,327</u>                                      | <u>22,744</u>   |   | <u>87,860</u>                 | <u>51,220</u>                                      | <u>921,046</u>     |
|  |   |   |                               |  |                    |
| <u>\$ 13,385</u>                                   | <u>\$ 22,744</u>  | <u>\$ 333</u>                                       | <u>\$ 87,860</u>              | <u>\$ 51,220</u>                                   | <u>\$1,327,181</u> |

CLAY COUNTY  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006

|  | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>County<br/>Sheriff</u> | <u>LOSST<br/>Bond</u> | <u>Courthouse<br/>Restoration</u> |
|--|-------------------------|-----------------------------|---------------------------|-----------------------|-----------------------------------|
| <b>REVENUES:</b>   |                         |                             |                           |                       |                                   |
| Property tax .....   | \$297,084               |                             |                           |                       |                                   |
| Intergovernmental .....                                      | 15,356                  | \$ 121,445                  |                           |                       |                                   |
| Licenses and permits .....                                   |                         |                             |                           |                       |                                   |
| Charges for service .....                                    |                         |                             |                           |                       |                                   |
| Use of money and property .....                              | 81,424                  |                             | \$ 125                    | \$ 2,887              |                                   |
| Miscellaneous .....  | <u>330,711</u>          |                             | <u>19,339</u>             | <u>135,382</u>        |                                   |
| TOTAL REVENUES   | <u>724,575</u>          | <u>121,445</u>              | <u>19,464</u>             | <u>138,269</u>        |                                   |
| <b>EXPENDITURES:</b>   |                         |                             |                           |                       |                                   |
| Operating:   |                         |                             |                           |                       |                                   |
| Public safety and legal services ....                        |                         |                             | 17,308                    |                       |                                   |
| County environment and<br>education services .....           |                         |                             |                           |                       |                                   |
| Governmental services to residents                           |                         |                             |                           |                       |                                   |
| Non-program .....  | 330,711                 |                             |                           | 126,336               |                                   |
| Debt service .....   | 299,901                 |                             |                           |                       |                                   |
| Capital projects .....                                       |                         | <u>1,489,588</u>            |                           |                       |                                   |
| TOTAL EXPENDITURES   | <u>630,612</u>          | <u>1,489,588</u>            | <u>17,308</u>             | <u>126,336</u>        |                                   |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER (UNDER) EXPENDITURES | <u>93,963</u>           | <u>(1,368,143)</u>          | <u>2,156</u>              | <u>11,933</u>         |                                   |
| <b>OTHER FINANCING SOURCES:</b>                              |                         |                             |                           |                       |                                   |
| Operating transfers in .....                                 |                         | 125,000                     |                           |                       |                                   |
| General obligation note issued .....                         |                         | <u>1,800,000</u>            |                           |                       |                                   |
| TOTAL OTHER FINANCING<br>SOURCES                             |                         | <u>1,925,000</u>            |                           |                       |                                   |
| NET CHANGE IN FUND BALANCES                                  | 93,963                  | 556,857                     | 2,156                     | 11,933                |                                   |
| FUND BALANCES -<br>BEGINNING OF YEAR.....                    | <u>169,055</u>          | <u>(157,876)</u>            | <u>13,373</u>             | <u>51,563</u>         | <u>4,871</u>                      |
| FUND BALANCES - END OF YEAR                                  | <u>\$263,018</u>        | <u>\$ 398,981</u>           | <u>\$15,529</u>           | <u>\$63,496</u>       | <u>\$ 4,871</u>                   |

| Special Revenue                                    |   |   |                               |  |                    |
|--|---|---|-------------------------------|--|--------------------|
| <u>Resource<br/>Enhancement<br/>and Protection</u> | <u>County<br/>Recorder's<br/>Records<br/>Management</u> | <u>County<br/>Recorder's<br/>Electronic<br/>Fee</u> | <u>Drainage<br/>Districts</u> | <u>Conservation<br/>Land Acquisition<br/>Trust</u> | <u>Total</u>       |
|  |   |   |                               |  | \$ 297,084         |
| \$ 9,034   |   |   |                               |  | 145,835            |
|  |   |   |                               | \$ 23  | 23                 |
|  | \$ 4,244  | \$ 4,307  | \$ 14,760                     | 35,536   | 58,847             |
| 232  | 321   |   | 3,709                         | 14,491   | 103,189            |
|  |   |   | 4,477                         | 3,194  | 493,103            |
| <u>9,266</u>                                       | <u>4,565</u>  | <u>4,307</u>  | <u>22,946</u>                 | <u>53,244</u>                                      | <u>1,098,081</u>   |
|  |   |   |                               |  | 17,308             |
| 21,447   |   |   |                               | 17,657   | 39,104             |
|  | 14,882  | 4,307   |                               |  | 19,189             |
|  |   |   |                               |  | 457,047            |
|  |   |   |                               |  | 299,901            |
|  |   |   | 69,738                        |  | 1,559,326          |
| <u>21,447</u>                                      | <u>14,882</u>   | <u>4,307</u>  | <u>69,738</u>                 | <u>17,657</u>                                      | <u>2,391,875</u>   |
| <u>(12,181)</u>                                    | <u>(10,317)</u>   |   | <u>(46,792)</u>               | <u>35,587</u>                                      | <u>(1,293,794)</u> |
|  |   |   |                               |  | 125,000            |
|  |   |   |                               |  | 1,800,000          |
|  |   |   |                               |  | 1,925,000          |
| (12,181)   | (10,317)  |   | (46,792)                      | 35,587   | 631,206            |
| <u>25,508</u>                                      | <u>33,061</u>   |   | <u>134,652</u>                | <u>15,633</u>                                      | <u>289,840</u>     |
| <u>\$ 13,327</u>                                   | <u>\$ 22,744</u>  | <u>\$</u>   | <u>\$ 87,860</u>              | <u>\$ 51,220</u>                                   | <u>\$ 921,046</u>  |

CLAY COUNTY  
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2006

|                                  | <u>County Offices</u> |                     |                     | <u>Agricultural</u>  |
|----------------------------------|-----------------------|---------------------|---------------------|----------------------|
|                                  | <u>County</u>         | <u>County</u>       | <u>County</u>       | <u>Extension</u>     |
| ASSETS                           | <u>Recorder</u>       | <u>Sheriff</u>      | <u>Conservation</u> | <u>Education</u>     |
| CASH AND POOLED INVESTMENTS:     |                       |                     |                     |                      |
| County Treasurer .....           |                       |                     |                     | \$ 1,995             |
| Other County officials .....     | \$45,516              | \$ 9,556            | \$15,245            |                      |
| RECEIVABLES:                     |                       |                     |                     |                      |
| Property tax:                    |                       |                     |                     |                      |
| Delinquent .....                 |                       |                     |                     | 305                  |
| Succeeding year .....            |                       |                     |                     | 167,000              |
| Due from other governments ..... |                       |                     |                     |                      |
| Accrued interest .....           | <u>          </u>     | <u>          </u>   | <u>          </u>   | <u>          </u>    |
| <br>TOTAL ASSETS                 | <br><u>\$45,516</u>   | <br><u>\$ 9,556</u> | <br><u>\$15,245</u> | <br><u>\$169,300</u> |
| <br>LIABILITIES                  |                       |                     |                     |                      |
| LIABILITIES:                     |                       |                     |                     |                      |
| Accounts payable .....           |                       |                     |                     |                      |
| Due to other governments .....   | \$10,440              |                     |                     | \$169,300            |
| Trusts payable .....             | <u>35,076</u>         | <u>\$ 9,556</u>     | <u>\$15,245</u>     | <u>          </u>    |
| <br>TOTAL LIABILITIES            | <br><u>\$45,516</u>   | <br><u>\$ 9,556</u> | <br><u>\$15,245</u> | <br><u>\$169,300</u> |

| Agency Funds               |                              |                                     |                     |                         |                     |                   |
|----------------------------|------------------------------|-------------------------------------|---------------------|-------------------------|---------------------|-------------------|
| <u>County<br/>Assessor</u> | <u>Special<br/>Appraiser</u> | <u>Assessor's<br/>FICA<br/>Fund</u> | <u>Schools</u>      | <u>Area<br/>Schools</u> | <u>Corporations</u> | <u>Townships</u>  |
| \$ 44,080                  | \$ 77,634                    |                                     | \$ 112,501          | \$ 6,645                | \$ 46,573           | \$ 2,501          |
| 366                        | 140                          |                                     | 17,986              | 1,126                   | 14,052              | 84                |
| 200,000                    | 77,000                       |                                     | 9,908,000           | 614,000                 | 4,711,000           | 156,000           |
| <u>          </u>          | <u>          </u>            | <u>          </u>                   | <u>          </u>   | <u>          </u>       | <u>          </u>   | <u>          </u> |
| <u>\$244,446</u>           | <u>\$154,774</u>             | <u>\$</u>                           | <u>\$10,038,487</u> | <u>\$621,771</u>        | <u>\$4,771,625</u>  | <u>\$158,585</u>  |
| <br>                       |                              |                                     |                     |                         |                     |                   |
| \$ 454                     |                              |                                     |                     |                         |                     |                   |
| 243,992                    | \$154,774                    |                                     | \$10,038,487        | \$621,771               | \$4,771,625         | \$158,585         |
| <u>          </u>          | <u>          </u>            | <u>          </u>                   | <u>          </u>   | <u>          </u>       | <u>          </u>   | <u>          </u> |
| <u>\$244,446</u>           | <u>\$154,774</u>             | <u>\$</u>                           | <u>\$10,038,487</u> | <u>\$621,771</u>        | <u>\$4,771,625</u>  | <u>\$158,585</u>  |



CLAY COUNTY  
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES - Continued  
AGENCY FUNDS  
JUNE 30, 2006

|                                  | Agency Funds                   |                                   |  |                               |
|----------------------------------|--------------------------------|-----------------------------------|--|-------------------------------|
|                                  | City<br>Special<br>Assessments | Auto<br>License<br>and<br>Use Tax | Lost Island<br>Sanitary<br>Sewer<br>District | Joint<br>Disaster<br>Services |
| ASSETS                           |                                |                                   |  |                               |
| CASH AND POOLED INVESTMENTS:     |                                |                                   |  |                               |
| County Treasurer .....           | \$ 3,442                       | \$331,371                         | \$ 20  | \$ 1,061                      |
| Other County officials .....     |                                |                                   |  |                               |
| RECEIVABLES:                     |                                |                                   |  |                               |
| Property tax:                    |                                |                                   |  |                               |
| Delinquent .....                 |                                |                                   | 20   |                               |
| Succeeding year .....            |                                |                                   |  |                               |
| Due from other governments ..... |                                |                                   |  | 3,663                         |
| Accrued interest .....           |                                |                                   |  |                               |
| TOTAL ASSETS                     | <u>\$ 3,442</u>                | <u>\$331,371</u>                  | <u>\$ 40</u>                                 | <u>\$ 4,724</u>               |
| LIABILITIES                      |                                |                                   |  |                               |
| LIABILITIES:                     |                                |                                   |  |                               |
| Accounts payable .....           |                                |                                   |  | \$ 3,503                      |
| Due to other governments .....   | \$ 3,442                       | \$331,371                         | \$ 40  | 1,221                         |
| Trusts payable .....             |                                |                                   |  |                               |
| TOTAL LIABILITIES                | <u>\$ 3,442</u>                | <u>\$331,371</u>                  | <u>\$ 40</u>                                 | <u>\$ 4,724</u>               |

## Schedule 3

| <u>E-911</u>      | <u>Property<br/>Tax<br/>Agency</u> | <u>Emergency<br/>Medical<br/>Services</u> | <u>Total</u>         |
|-------------------|------------------------------------|---|----------------------|
| \$ 94,831         | \$ 8,206                           | \$ 18,117                                 | \$ 748,977<br>70,317 |
|                   | 5                                  |   | 34,084               |
|                   | 68,000                             |   | 15,901,000           |
| 32,479            |                                    | 2,817                                     | 38,959               |
| <u>347</u>        | <u>          </u>                  | <u>54</u>                                 | <u>401</u>           |
| <u>\$127,657</u>  | <u>\$ 76,211</u>                   | <u>\$ 20,988</u>                          | <u>\$16,793,738</u>  |
|                   |                                    |   |                      |
| \$ 1,429          |                                    | \$ 135                                    | \$ 5,521             |
| 126,228           | \$ 76,211                          | 20,853                                    | 16,728,340           |
| <u>          </u> | <u>          </u>                  | <u>          </u>                         | <u>59,877</u>        |
| <u>\$127,657</u>  | <u>\$ 76,211</u>                   | <u>\$ 20,988</u>                          | <u>\$16,793,738</u>  |

CLAY COUNTY  
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
YEAR ENDED JUNE 30, 2006

|   | County Offices    |                  |                 |                     |
|---|-------------------|------------------|-----------------|---------------------|
|   | County Auditor    | County Recorder  | County Sheriff  | County Conservation |
| BALANCE - BEGINNING OF YEAR .....       | <u>          </u> | <u>\$ 45,866</u> | <u>\$ 9,943</u> | <u>          </u>   |
| ADDITIONS:                              |                   |                  |                 |                     |
| Property and other County tax .....     |                   |                  |                 |                     |
| 911 surcharge .....                     |                   |                  |                 |                     |
| State tax credits .....                 |                   |                  |                 |                     |
| Office fees and collections .....       | \$ 1,362          | 297,519          | 87,259          | \$15,245            |
| Auto licenses, use tax, and postage ... |                   |                  |                 |                     |
| Assessments .....                       |                   |                  |                 |                     |
| Trusts .....                            |                   |                  | 179,375         |                     |
| Transfers from other funds .....        |                   |                  |                 |                     |
| Miscellaneous .....                     |                   |                  |                 |                     |
| TOTAL ADDITIONS                         | <u>1,362</u>      | <u>297,519</u>   | <u>266,634</u>  | <u>15,245</u>       |
| DEDUCTIONS:                             |                   |                  |                 |                     |
| Agency Remittances:                     |                   |                  |                 |                     |
| To other funds .....                    | 1,362             | 147,687          | 87,259          |                     |
| To other governments .....              |                   | 150,182          |                 |                     |
| Trusts paid out .....                   |                   |                  | 179,762         |                     |
| TOTAL DEDUCTIONS                        | <u>1,362</u>      | <u>297,869</u>   | <u>267,021</u>  | <u>          </u>   |
| BALANCE - END OF YEAR                   | <u>\$</u>         | <u>\$ 45,516</u> | <u>\$ 9,556</u> | <u>\$15,245</u>     |

| Agency Funds                  |  |                    |                      |                            |                     |                  |
|-------------------------------|--|--------------------|----------------------|----------------------------|---------------------|------------------|
| Employee<br>Cafeteria<br>Plan | Agricultural<br>Extension<br>Education | County<br>Assessor | Special<br>Appraiser | Assessor's<br>FICA<br>Fund | Schools             | Area<br>Schools  |
|                               | <u>\$163,101</u>                       | <u>\$243,605</u>   | <u>\$113,948</u>     | <u>\$21,043</u>            | <u>\$ 9,371,301</u> | <u>\$544,721</u> |
|                               | 163,637                                | 195,561            | 74,950               |                            | 9,689,943           | 601,253          |
|                               | 8,219                                  | 9,465              | 4,378                | 1,057                      | 465,434             | 27,382           |
|                               |  | 21,310             |                      |                            |                     |                  |
| <u>\$ 76,568</u>              |  | <u>369</u>         | <u>3,000</u>         |                            |                     |                  |
| <u>76,568</u>                 | <u>171,856</u>                         | <u>226,705</u>     | <u>82,328</u>        | <u>1,057</u>               | <u>10,155,377</u>   | <u>628,635</u>   |
|                               | 165,657                                | 225,864            | 41,502               | 22,100                     | 9,488,191           | 551,585          |
| <u>76,568</u>                 | <u>165,657</u>                         | <u>225,864</u>     | <u>41,502</u>        | <u>22,100</u>              | <u>9,488,191</u>    | <u>551,585</u>   |
| <u>\$</u>                     | <u>\$169,300</u>                       | <u>\$244,446</u>   | <u>\$154,774</u>     | <u>\$</u>                  | <u>\$10,038,487</u> | <u>\$621,771</u> |

CLAY COUNTY  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 Continued  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2006

|  | <u>Agency Funds</u> |                  |   |   |
|--|---------------------|------------------|---|---|
|  | <u>Corporations</u> | <u>Townships</u> | <u>City<br/>Special<br/>Assessments</u> | <u>Auto<br/>License<br/>and<br/>Use Tax</u> |
| BALANCE - BEGINNING OF YEAR .                            | <u>\$4,430,792</u>  | <u>\$166,641</u> | <u>\$ 11,927</u>                        | <u>\$ 358,916</u>                           |
| ADDITIONS:   |                     |                  |   |   |
| Property and other County tax .....                      | 4,566,431           | 152,548          |   |   |
| 911 surcharge .....                                      |                     |                  |   |   |
| State tax credits .....                                  | 197,586             | 9,498            |   |   |
| Office fees and collections .....                        |                     |                  |   |   |
| Auto licenses, use tax, and postage<br>Assessments ..... |                     |                  | 232,583                                 | 3,829,121                                   |
| Trusts .....   |                     |                  |   |   |
| Transfers from other funds .....                         |                     |                  |   |   |
| Miscellaneous .....                                      |                     |                  |   |   |
| TOTAL ADDITIONS  | <u>4,764,017</u>    | <u>162,046</u>   | <u>232,583</u>                          | <u>3,829,121</u>                            |
| DEDUCTIONS:  |                     |                  |   |   |
| Agency Remittances:                                      |                     |                  |   |   |
| To other funds .....                                     |                     |                  |   |   |
| To other governments .....                               | 4,423,184           | 170,102          | 241,068                                 | 3,856,666                                   |
| Trusts paid out .....                                    |                     |                  |   |   |
| TOTAL DEDUCTIONS   | <u>4,423,184</u>    | <u>170,102</u>   | <u>241,068</u>                          | <u>3,856,666</u>                            |
| BALANCE - END OF YEAR                                    | <u>\$4,771,625</u>  | <u>\$158,585</u> | <u>\$ 3,442</u>                         | <u>\$ 331,371</u>                           |

| <u>Lost Island<br/>Sanitary<br/>Sewer<br/>District</u> | <u>Tax Sale<br/>Redemption</u> | <u>Joint<br/>Disaster<br/>Services</u> | <u>E-911</u>     | <u>Property<br/>Tax<br/>Agency</u> | <u>Emergency<br/>Medical<br/>Services</u> | <u>Total</u>        |
|--|--------------------------------|--|------------------|------------------------------------|---|---------------------|
| <u>\$ 3,054</u>  | <u>          </u>              | <u>\$22,537</u>                        | <u>\$ 91,656</u> | <u>\$ 71,674</u>                   | <u>\$25,910</u>                           | <u>\$15,696,635</u> |
|  |                                |  |                  | 77,643                             |   | 15,521,966          |
|  |                                |  | 136,562          |                                    |   | 136,562             |
| 84   |                                |  |                  | 178                                |   | 723,281             |
|  |                                |  |                  |                                    |   | 401,385             |
|  |                                |  |                  |                                    |   | 3,829,121           |
|  |                                |  |                  |                                    |   | 232,583             |
|  | \$92,842                       |  |                  |                                    |   | 272,217             |
|  |                                |  |                  |                                    |   | 21,310              |
|  |                                | <u>42,666</u>                          | <u>8,912</u>     |                                    | <u>43,514</u>                             | <u>175,029</u>      |
| <u>84</u>  | <u>92,842</u>                  | <u>42,666</u>                          | <u>145,474</u>   | <u>77,821</u>                      | <u>43,514</u>                             | <u>21,313,454</u>   |
|  |                                |  |                  |                                    |   | 236,308             |
| 3,098  |                                | 60,479                                 |                  | 73,284                             |   | 19,472,962          |
|  | <u>92,842</u>                  |  | <u>109,473</u>   |                                    | <u>48,436</u>                             | <u>507,081</u>      |
| <u>3,098</u>   | <u>92,842</u>                  | <u>60,479</u>                          | <u>109,473</u>   | <u>73,284</u>                      | <u>48,436</u>                             | <u>20,216,351</u>   |
| <u>\$ 40</u>   | <u>\$</u>                      | <u>\$ 4,724</u>                        | <u>\$127,657</u> | <u>\$ 76,211</u>                   | <u>\$20,988</u>                           | <u>\$16,793,738</u> |

CLAY COUNTY  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -  
 ALL GOVERNMENTAL FUNDS  
 FOR THE LAST FOUR YEARS

|  | Modified Accrual Basis  |                         |                         |                        |
|--|-------------------------|-------------------------|-------------------------|------------------------|
|  | <u>2006</u>             | <u>2005</u>             | <u>2004</u>             | <u>2003</u>            |
| REVENUES:  |                         |                         |                         |                        |
| Property and other County tax .....                | \$ 5,757,416            | \$ 5,287,980            | \$ 5,291,261            | \$4,651,547            |
| Interest and penalty on property tax ...           | 30,478                  | 27,013                  | 28,494                  | 47,451                 |
| Intergovernmental .....                            | 5,298,196               | 4,587,863               | 4,741,475               | 4,366,951              |
| Licenses and permits .....                         | 10,360                  | 6,543                   | 5,388                   | 5,107                  |
| Charges for service .....                          | 463,996                 | 396,778                 | 378,746                 | 404,678                |
| Use of money and property .....                    | 409,420                 | 205,847                 | 127,596                 | 153,331                |
| Fines, forfeitures and defaults .....              | 23,763                  | 21,174                  | 15,505                  | 9,773                  |
| Miscellaneous .....                                | <u>727,680</u>          | <u>670,931</u>          | <u>151,817</u>          | <u>201,445</u>         |
| <br>TOTAL  | <br><u>\$12,721,309</u> | <br><u>\$11,204,129</u> | <br><u>\$10,740,282</u> | <br><u>\$9,840,283</u> |
| EXPENDITURES:                                      |                         |                         |                         |                        |
| Operating:   |                         |                         |                         |                        |
| Public safety and legal services .....             | \$ 2,063,894            | \$ 1,811,888            | \$ 1,706,287            | \$1,859,980            |
| Physical health and social services .              | 324,657                 | 382,948                 | 344,561                 | 349,172                |
| Mental health .....                                | 1,319,489               | 1,400,963               | 1,421,131               | 1,287,707              |
| County environment and education<br>services ..... | 815,711                 | 798,693                 | 781,853                 | 681,777                |
| Roads and transportation .....                     | 3,571,958               | 2,754,290               | 2,685,991               | 2,886,546              |
| Governmental services to residents                 | 370,662                 | 352,133                 | 336,247                 | 313,372                |
| Administration .....                               | 1,206,203               | 1,122,851               | 1,162,373               | 1,038,899              |
| Non-program .....                                  | 473,808                 | 448,366                 | 33,113                  | 25,213                 |
| Debt service .....                                 | 372,624                 | 260,543                 | 600,663                 | 187,108                |
| Capital projects .....                             | <u>3,331,553</u>        | <u>1,668,546</u>        | <u>723,718</u>          | <u>447,746</u>         |
| <br>TOTAL  | <br><u>\$13,850,559</u> | <br><u>\$11,001,221</u> | <br><u>\$ 9,795,937</u> | <br><u>\$9,077,520</u> |

\* Not available

CLAY COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2006

| Grantor/Program   | CFDA<br>Number | Program<br>Expenditures |
|---|----------------|-------------------------|
| Direct:   |                |                         |
| Department of Justice:  |                |                         |
| Bulletproof vest partnership program .....                        | 16.607         | \$ 1,021                |
| Total Direct  |                | <u>1,021</u>            |
| Indirect:   |                |                         |
| U.S. Department of Agriculture:                                   |                |                         |
| Iowa Department of Human Services:                                |                |                         |
| Human Services administrative reimbursement:                      |                |                         |
| State administrative matching grants for food stamp program ..... | 10.561         | <u>7,323</u>            |
| U.S. Department of Transportation:                                |                |                         |
| Iowa Department of Transportation:                                |                |                         |
| Highway planning and construction .....                           | 20.205         | <u>82,496</u>           |
| Iowa Department of Public Safety:                                 |                |                         |
| Safety incentive grants for use of seatbelts .....                | 20.604         | <u>1,221</u>            |
| Iowa Homeland Security and Emergency Management Division:         |                |                         |
| Hazardous Material Emergency Preparedness .....                   | 20.703         | <u>5,933</u>            |
| U.S. Department of Health and Human Services:                     |                |                         |
| Iowa Department of Human Services:                                |                |                         |
| Human Services administrative reimbursements:                     |                |                         |
| Temporary assistance for needy families .....                     | 93.558         | <u>8,848</u>            |
| Child care mandatory and matching funds of the child care         |                |                         |
| and development fund .....  | 93.596         | <u>2,104</u>            |
| Foster care - Title IV-E .....                                    | 93.658         | <u>4,551</u>            |
| Adoption assistance .....   | 93.659         | <u>1,121</u>            |
| Medical assistance program .....                                  | 93.778         | <u>11,760</u>           |
| Social services block grant .....                                 | 93.667         | 5,758                   |
| Social services block grant .....                                 | 93.667         | <u>66,445</u>           |
|   |                | <u>72,203</u>           |
| Child support enforcement .....                                   | 93.563         | <u>182,736</u>          |
| Iowa Department of Public Health:                                 |                |                         |
| Bioterrorism Hospital Preparedness .....                          | 93.889         | <u>3,233</u>            |
| Public Health and Social Security Emergency .....                 | 93.003         | <u>7,669</u>            |
| U.S. Department of Homeland Security:                             |                |                         |
| Iowa Department of Public Defense:                                |                |                         |
| Iowa Homeland Security and Emergency Management Division:         |                |                         |
| Public Assistance Grants .....                                    | 97.036         | <u>22,073</u>           |
| Emergency Management Performance Grant .....                      | 97.042         | <u>13,903</u>           |
| State domestic preparedness .....                                 | 97.004         | <u>9,074</u>            |
| U.S. Election Assistance Commission:                              |                |                         |
| Iowa Secretary of State:  |                |                         |
| Help America Vote Act (HAVA) .....                                | 39.011         | <u>121,445</u>          |
| Total Indirect  |                | <u>557,693</u>          |
| TOTAL   |                | <u>\$558,714</u>        |

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Clay County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Officials of Clay County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clay County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 6, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Clay County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Clay County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Clay County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Clay County and other parties to whom Clay County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clay County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Winthun, Stave + Co., LLP*

March 6, 2007

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Officials of Clay County:

**Compliance**

We have audited the compliance of Clay County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Clay County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of Clay County's management. Our responsibility is to express an opinion on Clay County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clay County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Clay County's compliance with those requirements.

In our opinion, Clay County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

**Internal Control Over Compliance**

The management of Clay County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered Clay County's internal control over compliance with requirements that could have a

direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Clay County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grant agreements. The reportable condition is described as item III-A-06 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts, and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above, item III-A-06, is a material weakness.

This report, a public record by law is intended solely for the information and use of the officials, employees and citizens of Clay County and other parties to whom Clay County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Winther, Stave & Co., LLP*

March 6, 2007

CLAY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006

**Part I: Summary of the Independent Auditors' Results**

- a. An unqualified opinion was issued on the financial statements.
- b. Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- c. The audit did not disclose any non-compliance which is material to the financial statements.
- d. A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- e. An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f. The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. Major programs were as follows:
  - CFDA Number 39.011 - Help America Vote Act
  - CFDA Number 93.563 - Child Support Recovery
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. Clay County did not qualify as a low-risk auditee.

CLAY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2006

**Part II: Findings Related to the Financial Statements**

**Instances of Non-Compliance:**

No matters were reported.

**Reportable Condition:**

- II-A-06 Segregation of Duties - During our evaluation of the system of internal accounting control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the County Auditor and County Treasurer should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances.

Response - While the size of our staff has a limiting effect on our ability to have complete segregation of duties, we will strive to segregate where possible and insure review of those areas where complete segregation is impossible.

Conclusion - Response accepted.

- II-B-06 Conservation Department - During our audit, we noted the Conservation Department maintains an account with a local financial institution. However, we noted there is no depository resolution adopted for this account; and there is only one authorized signer on the bank account. In addition, no reconciliation is prepared to provide a detail listing of the source of funds held in the account.

Recommendation - The Board of Supervisors should adopt a depository resolution for this account. An authorized signer should be added to the Conservation's bank account and consideration should be given to having the bank statement mailed to the County Treasurer or the Conservation Board President. In addition, a monthly reconciliation of individual deposits and advance rental payments should be prepared. The interest earned net of charges incurred should be remitted on a regular basis to the County Treasurer's Office.

Response - The Board of Supervisors will adopt a depository resolution for the Conservation account. An authorized signer will be added to the bank account and the bank statement will be mailed to either the County Treasurer or the Conservation Board President. A monthly reconciliation will be prepared as suggested and interest will be remitted on a regular basis to the County Treasurer.

Conclusion - Response accepted.

CLAY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2006

**Part III: Findings and Questioned Costs for Federal Awards**

**Instances of Non-Compliance:**

No matters were reported.

**Reportable Condition:**

All Federal programs listed in the Schedule of Expenditures of Federal Awards

III-A-06 Segregation of Duties over Federal Revenue - Custody, record-keeping, and reconciling functions for revenues, including those related to federal programs are not adequately segregated. See item II-A-06.

CLAY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2006

**Part IV: Other Findings Related to Required Statutory Reporting**

IV-A-06 Certified Budget - Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the nonprogram and debt service functions. Disbursements in one department exceeded the amount appropriated.

Recommendation - The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response - We will amend the budget when required and appropriations will be watched more closely.

Conclusion - Response accepted.

IV-B-06 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-06 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-06 Business Transactions - No business transactions between the County and County officials or employees were noted.

IV-E-06 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.

IV-F-06 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-06 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy.



CLAY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2006

**Part IV: Other Findings Related to Required Statutory Reporting** - Continued

IV-H-06 Resource Enhancement and Protection Certification - The County did not dedicate property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa and did not receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-06 County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in the government-wide financial statements.

Disbursements during the year ended June 30, 2006 for the County Extension Office did not exceed the amount budgeted.

IV-J-06 Official Depositories - Clay County Recorder balances at one bank exceeded the maximum authorized amount of \$20,000 by approximately \$21,000 during the year. Also, a depository resolution has not been adopted for a Clay County Conservation Department bank account.

Recommendation - A depository resolution in amounts sufficient to cover anticipated balances at all approved depositories for all offices should be adopted by the Board.

Response - The Board of Supervisors will adopt a depository resolution sufficient to cover anticipated balances at all approved depositories for all offices.

Conclusion - Response accepted.